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SUBJECT: SENIOR-LEVEL BDG PROCUREMENT COMMITTEE REJECTS
SUSPECT TENDERS

1. The BDG Cabinet Purchase Committee on March 22 rejected two tender awards, explicitly citing corruption in one case and serious irregularities in the other. The action was a welcome demonstration that the BDG can act against corruption when it chooses to do so. In a highly unusual move, the Purchase Committee also recommended the relevant ministry take action against the officials involved in manipulating the tender.

2. The first procurement was for a high-speed fiber optic connection from Cox's Bazaar to Chittagong to interconnect the telephone network to the South East Asia-Middle East-Western Europe-4 undersea cable, a terabit Internet backbone cable. Bangladesh's connection to the cable will originate at Cox's Bazaar and is expected to be completed by October, providing Bangladesh with 10 gigabytes of bandwidth, which is expected to meet the country's needs for the next 10 years. Canada's Nortel was awarded the highest technical and financial score by an evaluation subcommittee of the Bangladesh Telegraph and Telecommunications Board (BTTB); however, the full committee recommended Germany's Siemens, despite a price premium of nearly 50 percent. The Communications Ministry endorsed the BTTB recommendation and sent it to the Purchasing committee for approval. The committee rejected the recommendation, citing corruption and violations of the Public Procurement Regulations (PPR), and ordered the project retendered. Asked to comment, a local Nortel official told Embassy FSN that the evaluation had taken over 13 months and was referred back to the evaluation committee four times because of corruption in the evaluation process.

3. The second tender was for procurement of the power plant for phase two (of three) of the Meghnaghat power complex. The Power, Energy and Natural Resources ministry was initially authorized to negotiate with a UAE-Bangladesh Joint Venture with a Japanese company as the "lead sponsor" providing the actual technical expertise. Following prequalification, however, the Japanese sponsor was replaced by a German company. Despite this significant alteration to the composition of the consortium, the Power Ministry negotiated an agreement to conclusion and presented it to the Purchase Committee for approval. The Purchase Committee rejected the faulty proposal, essentially requiring prequalification of the revised consortium before an agreement could be negotiated.

4. The Cabinet is involved in procurement decisions at two stages. The Cabinet Committee on Economic Affairs makes an initial, prequalification decision before referring major projects to a particular ministry for procurement. Following technical and financial evaluations of the bids, the ministry then makes a recommendation, which is referred back to the Cabinet Purchase Committee for review and approval. Proposed awards approved by the Purchase Committee are submitted to the full Cabinet for final approval, before going to the Prime Minister for signature of the award document. The Prime Minister is the official chair of the Purchase Committee, although the Finance Minister in fact holds the chair on her behalf. Other members of the committee are drawn from ministers and state secretaries, and sometimes vary according to the nature of the procurement under review.
THOMAS